

THE ENERGY EFFICIENCY AND RESOURCE MANAGEMENT COUNCIL

Minutes—November 13, 2008

**Department of Administration
Conference Room B**

CALL TO ORDER

The meeting was called to order by Chairman Ryan at 4:25 PM

Members Present: Paul Ryan, Christopher Powell, Joe Newsome, Dan Justynski, Sam Krasnow, Vic Allienello, Tim Stoud, and Ron Gerwatowski

Others Present: Erich Stephens, Karina Lutz, Cynthia Giles, Beth Cotter, and Jeremy Newberger.

Staff: Matt Guglielmetti, Janet Keller and Charles Hawkins.

Consultant: Scudder Parker

Acceptance of Minutes: A motion to accept the minutes of the September EERMC meeting as presented was made and accepted. A motion to accept the October EERMC meeting was made. Vic A.

wanted to change the wording in paragraph 3 of page 2 to reflect the fact that he said that he had a discussion with Matt G. on locking in oil prices rather than saying that he and Matt G. did in fact agree to lock in oil prices for LIHEAP clients. The minutes were then accepted.

RGGI Draft Distribution Plan

Janet K. sent members two documents explaining the progress of RGGI to date and offered to recap the main points and bring the council up to date including a schedule of future auctions. She emphasized that the plan is for this year only, and new plan would be drafted for 2010

Potential RGGI proceeds from the September auction should net RI around \$1.2 million after payments are made. There will be five more auctions between now and December 2009 with a best guess net for RI of around \$5 million. A meeting was held on 10/30 to discuss ideas for the first round of proceeds. Chris P., Dan J., Sam K., and Joe N. were the council members present. There were also representatives from People's Power and Light, the Lt. Governor's Office, the Conservation Law Foundation, and the RI House Policy Office.

The group recommended two buckets of funds. The first would go to expanding and enhancing National Grid's energy efficiency programs under LCP to reduce the projected increase in the Systems Benefit

Charge (SBC) needed to fund LCP. The Second Bucket of funding would go to innovations which could include financing pilot programs or exploring a residential ESCO approach similar to the one being tried by the Cambridge Energy Initiative. Some other ideas included funding small non-profits and faith communities.

The group recommended that National Grid serve as the fiscal agent for both approaches and that the funds be transferred quickly to N. Grid to protect them from being shifted to the General Fund. The OER will develop rules for how grantees use the funds. The group recommended that the progress of these programs be evaluated and funds withdrawn if objectives are not met.

OER met with the DEM Air Division who support this general approach. DEM is interested in seeing money go to high energy using/pollution abatement activities such as sewage treatment plants and pumps at hazardous material remediation sites.

The OER is hoping to have a draft plan by November 21st and Sam K. has agreed to help with the draft. It will be circulated for final comments from DEM, the EERMC before going out for a hearing which will be held in 30 days.

Paul R. posed a legal question: Does DEM physically have the money and how does a state agency move quickly to get the money to N. Grid?

Tim S. said N. Grid has just gone through a similar scenario in Massachusetts and he will look into how it was accomplished there.

Sam K. said he thought the 10/30 meeting on RGGI was very productive and thanked Janet and the OER for hosting it. He hoped the guidelines and recommendations that come from this meeting will help the State use the proceeds wisely.

Chris P. said that consensus was reached on the direction of the draft spending plan but not necessarily on the exact amount to go into each bucket.

Paul R. said the primary advice to the OER is that the Council wants to split the proceeds into 2 buckets.

Sam K. suggested that the council could vote to adopt the minutes and recommendations of the subcommittee meeting.

Draft Energy Efficiency Program Plan

Paul R. said that Scudder P. would lead off with 10 minutes explaining the plan and then Jeremy N. would take it from there.

Scudder P. said that VEIC was successful in working with N. Grid to move the plan forward with recommendations for the council. He

recommended the council approve the plan with an attachment that includes the 12 points brought up in VEIC's memo. And lastly designate a sub-committee to interact with VEIC so when they have a concern they know who to contact. He urged the council to have more management structure

Dan J. talked about monitoring and evaluation metrics to determine if N. Grid has achieved the planned results.

Scudder said that VEIC wants to be a partner with the council in evaluating N. Grid's progress.

Sam K. said that there appeared to be three action items: approving and endorsing the program plan, agreeing that the 12 points are a good laundry list for discussing, and lastly forming a three or four person sub-committee to be cc'd on all documents.

Paul R. thought a three person committee makes more sense and expressed concern that a four member sub-committee will constitute a quorum and trigger Open Meeting law requirements of the APA. Sam K. suggested a three member sub-committee with an alternate.

Sam K. Joe N. and Chris P. will be committee with Dan J. as an alternate.

Paul R. made a motion to form a sub-committee to work directly with

consultants and N. Grid on the energy efficiency program plan.

Sam K. made a motion that he, Joe N. and Chris P. form a sub-committee work on the work planning on VEIC' s work plan on proposed budget. The motion was seconded and passed.

Paul R. made a motion to vote to ratify the National Grid energy efficiency program plan as amended that is now before the PUC. He wanted to know if the council was voting on the November 7th submission to the PUC or just the amendment.

Jeremy N. asked if there were any comments on the plan and said he was interested in hearing the council's reaction.

Dan J . asked about the two different numbers \$28 Million as opposed to \$32 Million on Table B1.

Jeremy N. said the difference is commitments to customers. The \$28 million is total electric and gas efficiency funding minus commitments (Table E-1. The \$32 million is for electric and gas programs including commitments.

Chris P. asked how the gas programs are allocated between low-income residential and C&I.

Jeremy N. said 20% will go to low-income. The funds to support this

will come from all sectors, rather than just from the residential customers as it had in the past.

Sam K. asked three questions of Jeremy 1. What parties were involved in the sub-committee 2. What are the net benefits for 2009. 3. What is the cost-benefit ratio?

Jeremy said the collaborative consisted of Environment NE, Tech RI, People's Power and Light, PUC, DPU, the OER, N. Grid and consultants for the council and they discussed everything that is in the current plan. According to DPU it was a settlement plan and all principals signed on to the plan. Benefits projected to be \$136 M for 2009. Sam K. said that it gets down to the statutory mandate for LCP.

He said that spending \$30 million on energy efficiency programs that garner a net benefit of \$136 million is an example of spending more money to go deeper in energy efficiency. New approaches cost more money but it is the goal of LCP to purchase energy efficiency that is cheaper than supply.

Jeremy said it is hard to determine what the effect of RGGI funds on the SBC would be.

Dan J. asked if there could be a metric that would determine what the impact of \$1 million of RGGI funds would be on reducing the SBC.

Jeremy said that if the State garners \$ 4 million a ton for every RGGI auction then

N. Grid would not have to ask for an increase in the SBC.

Ron G. talked about a decrease in the commodity cost for purchasing generation and that will also bring down cost to ratepayers. It should be somewhere in the vicinity of 9 cents KWh despite an increase in distribution rates.

Chris P. asked if the settlement with Constellation is factored in these figures. Ron G. said that it is included.

Sam K. said the Council should look at whether with a rate decrease pending, they may want to hold back some RGGI money until 2011.

Ron G. said as N. Grid ramps up its energy efficiency plans there will be further increases in the SBC charge unless innovative financial ideas are explored. He said if you wanted to find out the impact of the SBC on the average ratepayer take average usage, which is calculated at 500KWh and multiply by 500 it will give you the monthly impact.

Chairman Ryan moved to ratify the November 7th submission to the PUC and send a letter to the PUC informing them that it was approved at the 11/13 meeting of the Council. Sam K. seconded the motion and

it was approved by the Council;

Chairman Ryan said the last thing the EERMCs needed to vote on was VEIC's 12 step memo with guidelines for evaluating N. Grid's energy efficiency programs going forward. Chairman Ryan moved that the items in VEIC's report will be the focus but not the limiting focus of the Council's evaluation of N. Grids plans. Scudder P. wanted to insert the phrase in a cooperative working relationship with N. Grid into the proposal. It was agreed that VEIC's 12 point memo will be the focus but not the limiting focus of a cooperative effort with N. Grid. Chris P. also wanted to include that additional input from the subcommittee will also be considered. The motion was seconded and passed.

Jeremy N. wanted to note that although the Council, consultants and N. Grid will work in a cooperative manner there may be differences in some of the details.

Sam K. wanted to bring the Council's attention to the one page report he had written about the consensus points reached at the 10/30 RGGI planning meeting. Paul R. asked members to review Sam's notes and then make a motion that they be accepted as the recommendations of that meeting. It was voted on and approved.

BLUEWATER WIND PRESENTATION.

The EERMC had received letters from both Cape Wind and Bluewater Wind concerning the PUC's Docket 3931. Chairman Ryan introduced Erich Stevens of Bluewater Wind to explain his company's position on the issue of supply procurement.

Erich S. stated that although LCP is primarily concerned with energy efficiency, procurement is also a charge of the Council. Bluewater and Cape Wind feel that there are three distinct parts of LCP: system reliability, energy efficiency and supply procurement. Erich S. stated that how the state deals with the issue of energy supply could determine whether large scale renewable projects are built in RI. Bluewater's position is that the council needs to address supply in addition to energy efficiency.

Dan J. expressed concern that only the last only the last three years of spiking energy prices are factored into economic models for large scale renewables and not data that cover the last 20 years. He talked about the URI renewable report that states that renewables are only a drop in the bucket as compared to what energy efficiency can achieve in bringing down demand. He said ratepayers are looking for the best return on investment.

Erich Stephens responded Bluewater is not seeking funding from council but only wants them to consider the issue of supply.

Sam K. stated that the LCP legislation developed a clear schedule for energy efficiency reports and the council has been hitting all the deadlines to date. The statutory mandate on supply procurement is not so clear, however, and he has been trying to get a handle on the Council's role in the matter. For this reason, he wanted to invite Erich S. because Bluewater had been raising these issues in the 3931 docket and he thought the EERMC meeting would be a better forum to discuss what the role supply procurement plays in LCP.

It was mentioned that R.I.G.L. 39-1-27.8 requires the electric distribution company to submit a proposed supply procurement plan to the PUC by March 1, 2009 and each March 1, thereafter. Erich s. felt that the EERMC should be involved in that process.

Paul R. stated that there is no way the Council can formulate a procurement plan by 3/1/09. They would have to meet more than once a month to achieve this.

Chris P. talked about the URI renewable study as the EERMC doing due diligence on the renewable procurement side.

Erich S. said the EERMC's prime focus is LCP and procurement is part of LCP. It is in the council's charge to look at both distributed generation and renewables.

Chris P; said that it could be renewables, if they are least cost.

Paul R. acknowledged that the EERMC needs to develop URI study in a more sophisticated manner in the future.

Scudder P. feels the law intended that RI should do efficiency and system reliability first. The council could host a discussion on procurement but that it does not have the same role that it does with system reliability and energy efficiency. He feels that the LCP legislation says that RI should get its act together on system reliability and then look at procurement. EERMC can play a role and host public forums on the issue of procurement but it does not have the same statutory requirement as it does with energy efficiency and system reliability.

Erich S. disagrees and states that the law includes both distribute generation and renewables.

Paul R. stated that the Council does have a role in looking at renewables in the planning process but that it is not the mission of the council to promote one form of energy procurement over another.

Erich S.'s point is that in his reading of the law that the EERMC's role is to assist the state in doing energy planning at a higher level. Where do renewable fit in?

Paul R. said that the council will get involved in long term supply

planning but not to dictate one kind of supply over another.

Sam K. said the Council should sent a letter to PUC about not including supply in their November 1st filing.

Ron G. suggest Erich S. submit Bluewater's views on supply procurement in a letter or position paper and N. Grid would do the same and have it ready for the 12/11 EERMC meeting. Then EERMC's legal council, Dan Prentiss, can take a look at and render his opinion. Ron G. thinks there is a place for renewables in the procurement plan but not to the extent advocated by Bluewater.

Both N. Grid and Bluewater will get a position paper or letter ready for the next meeting. Chairman Ryan suggested Dan Prentiss come to the next meeting to get best legal opinion for council.

Joe N. was concerned about the state's lack of vision on renewables. He cited Massachusetts as a state that seems to get it. He thought such a plan should come from the administrative side of RI government. RI should try to be energy independent. RI needs a big picture.

Ron G. brought up the Governor's veto of renewable legislation. The Assembly should override it.

Motion to adjourn is made and the meeting ended at 6:30 PM.